OFFICE OF THE U.S. TRADE REPRESENTATIVE

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TRADE POLICY STAFF COMMITTEE

PUBLIC HEARING
ON
WTO AGRICULTURE

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THURSDAY
OCTOBER 24, 2002

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The Trade Policy Staff Committee met in Rooms 1 and 2, USTR, 1724 F Street, N.W., Washington, D.C., at 10:00 a.m., Carmen Suro-Bredie and Donald Eiss, Chairs, presiding.

PRESENT

Carmen Suro-Bredie, Chair (A.M.)
Donald Eiss, Chair (P.M.)
Barbara Chattin, USTR
Jonathan Coleman, USITC
Jason Hafemeister, USTR
Deborah Henke, Department of Agriculture
Mark Linscott, USTR
Cara Morrow, Department of Commerce
Ana Valdes, Department of Labor
Daniel Whitley, Department of Agriculture
John Wiecking, Department of State
Gloria Blue, USTR, Executive Secretary

I-N-D-E-X

P-R-O-C-E-E-D-I-N-G-S

10:00 a.m.

CHAIRMAN SURO-BREDIE: This hearing will come to order. This hearing is being conducted by the Trade Policy Staff Committee, TPSC, an inter-agency body chaired by the Office of the U.S. Trade Representative. In addition to USTR today, there are representatives from the Department of Agriculture, Commerce, State, Labor and the U.S. International Trade Commission. Member of the USTR staff working on market access also are present.

The subject of this hearing is market access in the DOHA development agenda negotiations in the World Trade Organization, specifically for agricultural products. The DOHA declaration outlines three objectives of the agriculture negotiations: substantial improvements in market access, production with a view to phasing out all forms of export subsidies, and substantial reductions in domestic support. Market access issues for negotiation include tariffs, tariff rate quotas, tariff administration and import state trading enterprises.

Testimony is welcome with as much specificity as the witness can provide on general negotiating objectives and/or targets, country and product-specific interests or barriers, and particularly measures that might be improved in the context of the new negotiations including both tariffs and non-tariff measures. With regard to non-tariff measures, any available details on the foreign laws or regulations that lie behind the barrier would also be helpful. To the maximum extent possible, commodities should be identified by harmonized system nomenclature at the six digit level and to specify markets of interest.

The DOHA declaration calls for modalities for the negotiations to be reached by March 31, 2003 and submission of initial schedules by the WTO 5th ministerial meeting likely to be held in mid-2003.

In light of the schedule for presenting market access offers, the TPSC invites comment and testimony on all these matters and, in particular, seeks comments addressed the economic benefits and costs to U.S. producers and consumers of the reductions of tariffs or non-tariff barriers on trade between the U.S. and other WTO members and the recommended staging schedule for reduction and existing non-tariff barriers to trade and goods between the U.S. and other WTO members and the economic benefits and costs of removing those barriers.

We will turn now to Barbara Chattin, Deputy Assistant USTR for Agriculture who will give opening remarks after which the panel will introduce themselves and then we will hear from the first witness. Thank you.

MS. CHATTIN: Thank you. U.S. agricultural exports exceed $50 billion a year accounting for around 25 percent of cash receipts in agriculture. Agricultural exports and imports play a significant role in the U.S. economic growth and output. Nevertheless, world agricultural markets continue to be heavily distorted by high tariffs, export subsidies, and trade distorting support. For example, the global average allowed tariff under WTO commitments is over 60 percent. At the same time, while U.S. agricultural tariffs are relatively low, around 12 percent, there are a number of areas where our trading partners would like to see further liberalization by the United States.

WTO members have identified ambitious objectives for the agriculture negotiations under the DOHA development agenda calling for substantial improvements in market access, reductions of with a view to phasing out all forms of export subsidies and substantial reductions in trade distorting domestic support.

WTO members established a work plan to achieve these objectives. Discussions on specific proposals in each of the three areas have occurred in the summer and fall. One more negotiating session is scheduled for this year, the week of November 18. Work is expected to intensify at the beginning of next year as WTO members agreed that modalities were to be established by March 31, 2002.

The United States has taken a leadership role in calling for WTO members to implement these objectives. In the area of market access, the U.S.

has called for WTO members to apply a Swiss 25 formula for reducing tariffs, a 20 percent expansion of tariff rate quotas, strengthening disciplines on TRQ administration, ending single desk status of state trading enterprises, and ending the special agricultural safeguard.

We are here today to hear your views on achieving U.S. objectives to improve market access opportunities while remaining attentive to domestic concerns in addressing the various objectives of our trading partners. Our hearing today builds on formal and informal private sector comment, consultations with Congress and the economic analysis of the ITC over the past three years. We appreciate the efforts you have made to contribute to this public comment process through both your written comments and testimony. Our inter-agency team has developed a number of questions in response and we look forward to hearing your replies. Thank you.

CHAIRMAN SURO-BREDIE: So we will now have the panel introduce themselves starting with Mark.

MR. LINSCOTT: I am Mark Linscott, Deputy

Assistant USTR for Environment and Natural Resources.

MR. HAFEMEISTER: My name is Jason Hafemeister. I am the Director for WTO Agriculture Negotiations at USTR.

MS. CHATTIN: Barbara Chattin, Deputy Assistant USTR for Agricultural Affairs.

CHAIRMAN SURO-BREDIE: I'm Carmen Suro-Bredie and I will be chairing the TPSC hearing.

MS. HENKE: I'm Deborah Henke. I'm the Director of the Multi-Lateral Trade Negotiation Division of the Foreign Agricultural Service at USDA.

MR. COLEMAN: My name is Jonathan Coleman. i'm with the Agriculture and Forest Products Division of the United States International Trade Commission.

MS. MORROW: Good morning. My name is Cara Morrow and I monitor agriculture for the Department of Commerce.

MS. VALDES: Good morning. My name is Ana Valdes. I am from Europe International Labor Affairs, Department of Labor.

CHAIRMAN SURO-BREDIE: Thank you. We will now ask for the first witness, Alfred Hensler, Chairman, Sweeteners Users Association. Thank you, Mr. Hensler.

MR. HENSLER: Good morning. I don't know if you're all aware. The White House grounds were breached this morning just a few minutes ago while we were right there. Armed guards came out and got the man down and we were told to disperse. So after that, I decided this is going to be a piece of cake.

Thank you for the opportunity to provide comments today. My name is Fred Hensler. I'm the senior commercial manager with Masterfoods USA, better known as M&M Mars. The Sweetener Users Association includes the companies that use sweeteners in food and beverages as well as the trade associations that represent them.

SUA heartily endorses the U.S. proposal for global agricultural trade reform. If it is adopted, we would expect the effects to be very positive. The key elements of the U.S. proposal from a sugar perspective are reduction in tariffs, an increase in tariff rate quota quantities, elimination of the special agricultural safeguard, a reduction in non-exempt domestic support, elimination of export subsidies and an agreement on the date for the complete elimination of tariff and quotas.

Unfortunately, based on the past actions of this administration, we do not have much confidence that this is really going to happen. Its acceptance of this year's farm legislation which reversed earlier reforms of the sugar program, its apparent willingness to jettison the bilateral sugar trade liberalization with Mexico negotiated after NAFTA and its actions on steel and other issues suggest a limited willingness to stand up to special interests like the domestic sugar industry. If the administration wants SUA and other parts of the food and beverage industry to work for trade reform, it's going to have to do a better job of demonstrating its own commitment.

In contrast to most other agricultural commodities, the U.S. sugar does not trade anywhere near the world price. Public support for sugar producers is provided in a manner that directly and intentionally penalizes the producers' customers. The food industry has turned to other sweeteners where possible and increasingly finish products are being imported from abroad rather than being produced domestically because of the radical difference in the sugar input costs.

Two types of tariffs apply to the U.S. sugar imports. End quota imports are subject to a low or zero tariff, over quota imports are subject to tariffs designed to be prohibitive. The MFN over quota tariff for raw sugar is more than twice the current world sugar price while a lower but still substantial over quota tariff applies to imports from Mexico. Current production for sugar is in fact nearly absolute.

A reduction in over quota tariffs using the Swiss formula would be an effective way of eventually reforming the U.S. sugar program, but it would not be quick. Even under the best of circumstances, it could be 2008 or 2009 before the over quota tariff is low enough to allow additional imports. There may not be a domestic confectionery industry by that time. A reduction over five years in the over quota tariff is no more than 25 percent would leave that tariff at only a few cents per pound. At those levels, it would not make much difference whether the TRQ was abolished or not.

The five percent cap on trade distorting support would be important because the sugar program accounts for a big part of that support. The cap for the U.S. would be about $10 billion. The trade distorting support for sugar in each of the last few years has been at least $1 billion or more. Most studies of the U.S. sugar program agree that the absence of the current U.S. import barriers, the world sugar price would increase. However, the price would not rise to current U.S. sugar prices. Therefore, the U.S. domestic price would be lower. This would cause some reduction in U.S. sugar production but would not by any means eliminate the domestic industry. All these studies find that the economic effect would be positive for our nation.

SUA believes that many positive effects will result from the multi-lateral trade liberalization. Consumers would pay less for food.

The nearly extinct independent cane refining sector would have much needed relief. There are only three cane refining companies left. Taxpayers would benefit because substantial quantities of secondary imports would enter the United States compared to almost none at present generating substantial tariff revenue. Food and beverage companies would benefit in a variety of ways. American workers would benefit because one of the most unfortunate effects of the current sugar policy is its tendency to encourage movement of food manufacturing offshore would either disappear or be reduced.

In summary, multi-lateral sugar trade liberalization would help the U.S. economy. In addition to the annual economic benefit of between $500 million and $2 billion, liberalization would encourage product innovation, stimulate demand, keep jobs in the United States, provide benefits to low income Americans, and help maintain a viable cane refining industry. Current U.S. sugar policies harm the national interest. Liberalization would be pursued not only in the DOHA round but also in every other trade negotiation in which the United States is engaged. Thank you.

CHAIRMAN SURO-BREDIE: Thank you, Mr. Hensler.

If I could remind the witnesses that the panel would like to keep their testimony to five minutes as we laid out. Now for questions. The first two questions will come from U.S. Department of Agriculture.

MS. HENKE: Thank you very much, Mr. Hensler. The first question we have is on your calculations for the phase down of the sugar tariff. Could you give us more information about how you made these calculations using the Swiss formula that was proposed in the U.S. proposal, if not verbally perhaps in writing.

MR. HENSLER: We'd be happy to get back to you in writing.

MS. HENKE: Thank you.

CHAIRMAN SURO-BREDIE: Sorry to interrupt. Could you send that information to Gloria Blue by email so it would be gblue@ustr.gov.

MR. HENSLER: Yes, we will.

CHAIRMAN SURO-BREDIE: Thank you.

MS. HENKE: Thank you. The second question is if the U.S. follows your recommendation to end tariff protection from sugar, how do you suggest the sugar program would have to be changed?

MR. HENSLER: What I'd like to see is have it go like everything else, go to a marketing loan type arrangement where the consumers are not penalized. It's spread over the entire industry where the producers are protected by a limit on how low the sugar price would go and it's not actually affected in the actual marketing price of the commodity.

CHAIRMAN SURO-BREDIE: Our next question is from the Department of Commerce.

MS. MORROW: Good morning.

MR. HENSLER: Good morning.

MS. MORROW: In your submission, you note the potential for trade remedies such as anti-dumping measures to be used to frustrate market access. Do you have any recommendations on improving WTO rules in this area?

MR. HENSLER: Improving WTO rules. Not off the top of my head. No, I don't.

CHAIRMAN SURO-BREDIE: If you would like to reflect on that.

MR. HENSLER: If we could get back to you in writing, we'd be happy to respond. Thank you. Would that go directly to you?

CHAIRMAN SURO-BREDIE: No. Just send it to Gloria and she'll send them to the whole panel. And your written response will be part of the public record as well.

MR. HENSLER: Yes.

CHAIRMAN SURO-BREDIE: And then the last question will be by the Department of Labor.

MS. VALDES: Good morning, Mr. Hensler. Has your organization received any comments from the domestic sugar producers? If so, what is their position?

MR. HENSLER: Well, their position would be exact opposite of ours. There are only about 10,000 sugar producers in the United States now. There's 287,000,000 consumers and right now they are controlling the sugar policy of this country.

MS. VALDES: Thank you.

CHAIRMAN SURO-BREDIE: Does the panel have any more questions? No. If not, thank you so much, Mr. Hensler.

MR. HENSLER: Thank you.

CHAIRMAN SURO-BREDIE: Sorry you had such an exciting morning.

The next witness is Mara Burr, Special Counsel for International Trade Policy, the Humane Society of the United States. Welcome.

MS. BURR: Thank you for the opportunity to be here today. I will uphold the tradition of brevity and I will not regale you with a number of figures and import statistics so perhaps I'll make you happy as well.

The so-called three pillars of the agriculture negotiations are substantial improvements in market access through reduction with a view to phasing out all forms of export subsidies and substantial reduction in domestic support. Each of these objectives is important and must be addressed if the DOHA development agenda is to come to a successful conclusion.

There is a fourth area that must also be addressed before anyone can rightly claim the DOHA agriculture negotiations a success. That subject is non-trade concerns including the important issue of animal welfare. Market access for agricultural goods in the context of the World Trade Organization negotiations contemplates the reduction or prohibitively high tariffs, unrealistic tariff rate quotas and other domestic trade policy that unfairly harms foreign agriculture producers.

The heart of the problem in the agriculture negotiations is how to strike a balance between encouraging and supporting domestic producer on the one hand and liberalizing access to the domestic agricultural markets on the other. There are a great many questions we all must answer when approaching the issue of agriculture and market access for agricultural goods. Market access for agricultural goods is a multi-lane highway with numerous countries looking toward the WTO negotiations to provide new and expanded markets for their agricultural goods. It is not just a matter of U.S. producers looking for greater access to foreign markets. It is also a matter of foreign nations looking to obtain greater access to the United States market.

There are many questions that our trade negotiators must consider in the DOHA development negotiations of the WTO. For example, will greater liberalization of agriculture markets cause some producers to lose market share and eventually be forced from this sector altogether? Is it in our national interest to see U.S. agricultural operations shift from the United States to other countries? Are there lessons to be learned from our trading partners when it comes to the agricultural sector? And do a majority of U.S. citizens consider agriculture an industry of importance to our national security? Are there adequate precautions and remedies built into the WTS system to allow for the U.S. to prohibit the import of products that are abhorrent to the sensibilities of U.S. consumers and/or products that could adversely affect the health or safety of consumers in the U.S.?

The U.S. is in a world-wide struggle against terrorism. Have we secured the U.S. agricultural sector from terrorist attacks? These are but a few important questions that must be considered in the DOHA development negotiations. Negotiating significant reductions in tariffs and tariff rate quotas may allow for greater market access for U.S. goods but such negotiations will also result in greater access to the U.S. market for foreign agricultural goods and increased competition for U.S. producers. That means that products from developed and developing countries will be competing with the U.S. produced goods. Given the divergent standards in many countries concerning agriculture production, environmental protection and health and safety standards, some of these products may be significantly inferior to U.S. products.

Nevertheless, products produced in questionable conditions and subject to nonexistent or minimal health and safety standards may be significantly cheaper than U.S. products. As such, these products may be attractive to some consumers.

The United States must ensure that both U.S. products and imported products are safe for consumers and allow for consumers to make informed choices. Agricultural products should be labeled and the label should contain information concerning how the product was produced and under what conditions. There should be strict standards on any product labeled organic, chemical and pharmaceutical free. Animals that are force fed antibiotics and other drugs to artificially enhance growth should be labeled as such and now allowed under any circumstances to be labeled in a misleading manner.

The United States should carefully consider the environmental and agriculture connection and find ways to address the environmental degradation caused by agriculture in the U.S. and in other countries. Why should this be part of the WTO negotiations? Because greater liberalization agriculture markets should not be used as encouragement for unsustainable agricultural practices. The connection between the environmental fall-out from intensive or factory farming operations should be examined before these agriculture methods are exported to developing countries.

Many developing countries presently are unable to compete against the U.S. or European farmers because they do not enjoy the comparative advantages of these producers brought on by years of government subsidization or protected markets. The market distortions caused by U.S. and European agriculture policies should not be wrought upon developing countries trying to compete in the global agricultural markets. That is, the developed world should stop dumping agricultural products on developing countries.

Developing country products produced in a manner that promotes environmental protection, animal welfare and health should be certified labeled and given preferential duty free treatment and other preferential market access. The United States and other developed WTO members should work to encourage sustainable agricultural practices in developing countries through incentive programs. The United

States already has a number of programs in place to encourage development in the developing world. The generalized system of preferences, the Andean Trade Preference Act and the African Growth and Opportunity Act as well as other bilateral agreements.

The United States should put in place a program to encourage and reward developing countries for undertaking sustainable agricultural programs that promote human health, animal welfare and environmental protection.

The last area I want to address concerns the non-trade issues being discussed in the DOHA agricultural negotiations. The issue of animal welfare is important to U.S. citizens as well as citizens from other countries. The European community tabled a proposal on animal welfare to the WTO in June of 2000. Since that time, very little movement on this proposal has taken place. If there is a perception that the European proposal is merely a protections ploy, then it is incumbent upon other WTO members to offer proposals that will be more acceptable.

The intransigent shown by WTO members over the European proposal appears to have little to do with animal welfare. Rather, the negative reception given to the animal welfare proposal appears to be reaction to European agricultural polices over the last 30 years. The HSUS believes that animal welfare, specifically compensation payments to farmers pursuant to the green box and the agreement on agriculture must be squarely addressed in the negotiations. If the European proposal is not acceptable to other WTO members, then the HSUS challenges the United States and other WTO members to offer up a proposal that will be acceptable.

I want to thank you for the time to address you today.

CHAIRMAN SURO-BREDIE: Thank you very much. The first question will be asked by the Department of Commerce.

MS. MORROW: This question is about labeling. Labels in the United States are regulated to ensure consumer safety and there are various voluntary schemes such as the new organic standards that allow producers to specify if they have gone beyond the legal limits. Some have expressed concern that mandatory labeling that is overly burdensome could greatly reduce the ability of developing countries to compete in global markets. Do you believe non-trade concerns related to production and processing methods can be addressed through voluntary labeling systems?

MS. BURR: I think there's a place for voluntary systems. The only problem with voluntary systems is that you can not ensure -- well, obviously you can't ensure compliance and, 2) who sets the standard really? I think we need to go beyond national standards or nation by nation standards, and I think it's appropriate in the WTO context with 144 members discussing agricultural liberalization to discuss the issue of how do we promote organic products, pharmaceutical-free products, free range products. And I think in the WTO context it would be a way that you can get some agreement among countries of what those labels mean, how they could be employed, and perhaps a mechanism could be set up in which they may be voluntary but at least there would be definitions agreed to on a multi-lateral basis.

So voluntary could work but I think in order for such a system to work to be relied upon by consumers, you're going to go beyond that. There will have to be national programs in place and then a multi-lateral context for taking the next step to having a multi-lateral agreement or multi-lateral standard.

CHAIRMAN SURO-BREDIE: The next question will be posed by USDA.

MS. HENKE: Do you believe that under the current domestic support rules the European Union could include compensation payments for animal welfare in the green box as long as these programs are designed in such a way that they are not trade-distorted?

MS. BURR: Yes. I believe that such payments are contemplated in the green box. The only problem with it is that if you look at the actual wording, it talks about environment or government regulation. Animal welfare is obviously not specifically addressed and I think one problem with the way that the green box is worded is it is subject to varying interpretations and I think the European concern, as well as groups like the Humane Society of the United States and others, is that if all the countries believe it's in there now, we're in the midst of agriculture negotiations, what would be the harm to explicitly write it in?

I think that's been a European problem for quite a while. They are not as comfortable with the U.S. belief that law develops and it can be developed in an interpretative way. Most of the countries in Europe are code law countries meaning if it's not written down, if it's not in the code, it's not the law. And so we need to deal with that disparate interpretation of how law is made.

So while I believe the intention in the green box was to have payments like this, I think we need to go one step further and actually write it in and, if that's done, then I think the U.S. obviously could take advantage of it as well as the European Union. And I think it's very important to make sure these are non-trade distorting payments. Nobody wants to see this as protections and nobody wants to see this harm producers in other countries. That's not the intent behind it, and we sincerely believe that it should not be the result of such action.

MS. HENKE: Thank you.

CHAIRMAN SURO-BREDIE: The next two questions are by USTR.

MR. LINSCOTT: Thank you, Mara. My first question also relates to labeling. How does the Humane Society view discussions in the WTO Committee on Trade and Environment under paragraph 32, subparagraph 3 of the Doha declaration as being relevant to its position on labeling for process and production methods and, more specifically, does the Humane Society believe that existing WTO disciplines in the TBT and SBS agreements provide sufficient scope for labeling programs, whether voluntary or mandatory and, if not, does the Humane Society advocate a specific mandate for new negotiations related to eco labeling?

MS. BURR: I guess one problem going back to the Doha declaration is that there were, I think, three or four incantations of the declaration. The final one that came out said in labeling for environmental purposes. Now, I'm not certain if that environmental purpose language was meant to exclude other purposes for labeling or if it is to be interpreted as very broad and encompassing a number of reasons for labeling that could fall under environment. We're back a bit to the green box question. If it's not there specifically, can it be covered in the language that is there now?

So that's a question I think first for negotiators what was meant by that language. I believe that negotiations on eco labeling could encompass animal welfare labeling because there is an environmental connection. I believe also TBT contemplates the idea of labeling and probably would allow most types of labeling. The problem with the way the WTO has functioned is -- I believe, and I'm not sure many people will disagree with me -- what people thought happened at the end of the Uruguay round and the commitments that we'd undertaken seemed to have changed somewhat in dispute settlement over the years and so I think it's very important if we're going to talk about labeling in the agricultural context, we should talk about it in agriculture and so I don't believe new negotiations are mandated. I believe that the parallel negotiations in agriculture and on equal labeling and in the TBT could actually all address the subject and one answer could come out of all three. I don't think new negotiations need to be initiated.

MR. LINSCOTT: Okay. My second question relates to your testimony from the Humane Society which highlights the connection between liberalization and agricultural markets and environmental degradation. Does the Humane Society view the mandate in paragraph 51 of the Doha declaration to identify and debate the environmental effects of all areas of negotiation as an opportunity examine the environmental implications of negotiations on agricultural reform in the WTO?

MS. BURR: Absolutely. I think it was intended to be broad and intended to look at several aspects of how the negotiations are going forward and how trade liberalization can affect the environment. And obviously it can affect the environment in positive ways as well as negative ways. And our belief is that so often we get in these negotiating rounds, if you will. Each sector is looked to in isolation and, quite frankly, many of the negotiations touch and concern the environment. That may not be clearer in any other sector than it is in agriculture because you do have the factory/farm issue.

You do have the issue of the feedlots and the environmental run-off from feedlots, the soil contamination, water contamination, air contamination and those practices, we believe, are important in the United States and we don't want developing countries to believe the only way they can compete in agriculture is to develop practices that are unsustainable for their particular circumstances and are unsustainable generally. And so it would be hoped that we could realistically address the environmental impact that agriculture has and figure out a multi-lateral way to address it so that countries are free to adopt practices that are sustainable and that allow them to compete in the global market place.

MR. LINSCOTT: Thank you.

CHAIRMAN SURO-BREDIE: More questions? Thank you very much.

MS. BURR: Thank you.

CHAIRMAN SURO-BREDIE: The next witness, Carolyn Gleason on behalf of the California Cling Peach Board. Welcome.

MS. GLEASON: Good morning, Madam Chair and members of the committee. I'm Carolyn Gleason. I'm here today on behalf of the California canned peach industry. Normally, this is an industry that makes a special point to attend these kinds of hearings in person but there is a world canned fruit conference underway in Spain that made that impossible

The U.S. canned peach industry has four products that they consider most important, those being canned peaches, canned fruit mixtures, peach pulp concentrate and frozen peaches, the HS numbers for which are listed in Attachment 1 to our written submission.

The U.S. tariff is 17 percent on canned peaches and peach pulp concentrate, 14.9 percent on canned fruit mixtures and 14.5 percent on frozen peaches. So every one of these line items are relatively sizable U.S. tariffs. Moreover, every one of them has been identified as an import sensitive agricultural product in the TPA legislation.

Many of you know from this industry's prior testimony how import sensitive this industry and how essential it is that the industry retain its current U.S. tariff levels. The industry has been consistent in this position across an array of trade initiatives.

In all of them, Doha included, the industry wants to be exempted from tariff reductions. If exemptions aren't allowed, it wants to maintain its tariff rates to the maximum extent allowed under that particular agreement.

The industry's import sensitivity is principally the consequence of extravagant EU canned peach subsidies provided without interruption for over two decades. Because of those subsidies, U.S. growers and processors have systematically lost their market in Europe, most of their market in Japan and more recently large parts of their markets in Canada and Mexico.

If you take a look for a moment at Attachment 2 to our written submission, you'll see that in this past marketing year ending May, U.S. canned peach exports fell to their lowest level in 40 years and are down 40 percent from a year ago. Those losses are occurring because the U.S. industry can't compete with the $4 case subsidized price differential being offered by EU exporters. Since the U.S. industry can't match those subsidized prices, its choice today is either to sell in the U.S. market or not sell at all.

What this means in the context of the WTO talks is that until disciplines are laid down the genuinely reduce or eliminate EU domestic supports on canned fruit, market access reforms in the canned fruit sector will only go down to the benefit of the industry in Europe, not California. In fact, if those market access reforms require meaningful cuts in U.S.

canned fruit tariff rates, those quote "reforms" could very well put this U.S. industry out of business. Low priced imports are already at harmful levels in the U.S. market. Again, if you look at Attachment 3 to the industry's written submission, you'll see that annual U.S. imports have now reached a record level of 3 million cases or over 15 percent of U.S. production. That's the equivalent of $54 million in lost sales.

Most of that import volume, 75 percent, is low priced products from Greece and Spain. Since the U.S. market is mature and dominated by institutional sales, these subsidized imports in all instances not only prevent the sale of U.S. produced canned peaches but also lower the overall price structure in the U.S. market. As a result, producers in California are making no money in today's market.

These import pressures are on top of other turbulent industry challenges. The industry is still trying to stabilize itself from the bankruptcy two years ago of TriValley Growers which at the time was the industry's largest processor and grower-owned co-op. Just this year, one of the three processing plants remaining from the TriValley bankruptcy had to close its doors.

Both the industry and the U.S. government are working hard to return to the U.S. canned peach industry to profitability. Industry-funded tree pole programs are under way as are record level U.S. government purchase. None of these efforts will produce sustainable improvements though if the industry continues to lose its tariff protection. Reduced U.S. duties can only mean that more U.S. sales will be lost and price levels will further deteriorate.

Because the canned fruit industry is so much more fragile today than it was during the Uruguay round, it can't afford to support inflexible market access modalities that will lead to that result. There needs to be a mechanism for recognizing its import sensitivity and preserving its tariff protection. Inflexible reduction modalities would only be giving subsidized EU canned fruit greater dominance in every global market including this one.

As U.S. negotiators work towards a market access consensus in Geneva, we ask that you view with favor new more flexible mechanisms that will safeguard this industry's interest. I guess I'll improvise for 10 seconds and say if you can find a modality that, for example, takes tariff peaks down to 20 percent ad valorem, to 20 percent ad valorem, apply that or the applied rate and make gentle linear cuts off of that, something that insulates this industry's tariffs from substantial reductions.

On behalf of the industry, I'd be happy to take questions if you have them.

CHAIRMAN SURO-BREDIE: Thank you very much, Ms. Gleason. The first question will be posed by the ITC.

MR. COLEMAN: Good morning, Ms. Gleason. The United States as well as some other countries are proposing substantial reductions in domestic support. How would these proposals address your concerns over subsidized imports from the European Union?

MS. GLEASON: Frankly, we're not optimistic about the objectives in the Doha round vis à vis domestic supports. This industry had encouraged a U.S. proposal that mandated product specific reductions and that recommendation did not survive into the U.S. proposal. And so it feels like what is underway in this round will mimic what occurred in the last round and that is by clustering a group of domestic supports, the EU has leverage to maintain very high levels of support in certain sub-sectors. They have made clear because this has been pushed by U.S. negotiators now over two decades that canned fruit subsidies, oddly enough, are quite important to their political dynamic and, in particular, to Greece and some of the southern Med countries. So we're not optimistic.

MR. COLEMAN: Thank you.

CHAIRMAN SURO-BREDIE: The next question will be posed by USDA.

MS. HENKE: Thank you. Thank you, Ms. Gleason. Could you explain the way in which the U.S. proposal would increase the export market potential for your industry?

MS. GLEASON: Yes. As I mentioned briefly in my testimony, the export market picture is every bit as bleak as the import market picture for the reason that highly subsidized Greek product is taking that market away. It happened in Japan, it happened in Korea, it happened in Canada, Mexico and so forth, even in instances like Canada and Mexico where we have a tariff preference. So the view of the industry is if you take global tariffs down, those markets will in all likelihood simply provide more generous access to Greek exporters.

MS. HENKE: Thank you

CHAIRMAN SURO-BREDIE: The next question from USTR.

MR. HAFEMEISTER: Thank you. Just want to follow up on something you mentioned about import sensitive sectors and possible exceptions or differential treatment for them. I wonder if you have any suggestions or recommendations on how to define an import sensitive sector in terms of the negotiations on agriculture.

MS. GLEASON: It's been defined in TPA, as you know, as those sectors that had the minimum reductions in the Uruguay round and that's a definition that this industry does not take issue with. It strikes me as maybe the easiest model for everyone to understand for definitional purposes because if you're going to lay down modalities in Geneva that give any flexibility on import sensitivity, I can well imagine that it's an opportunity for mischief on the part of many of our trading partners. So something that's simple, something that's verifiable, something that keeps loopholes to a minimum I think would be preferable.

CHAIRMAN SURO-BREDIE: Thank you.

The next witness is Jack Roney, Director of Economics/Policy Analysis at the American Sugar Alliance. I think you have a fan club getting your document, so we'll wait for a second.

MR. RONEY: Don Phillips was planning to accompany me. He may be here any minute.

CHAIRMAN SURO-BREDIE: I'm sorry. We're running ahead which is uncharacteristic.

I think we're ready. Thank you.

MR. RONEY: Thank you for the opportunity to testify on behalf of the U.S. sugar industry. I'm

Jack Roney, Director of Economics and Policy Analysis for the American Sugar Alliance. The ASA is the national coalition of growers, processors, and refiners of sugar beet, sugar cane and corn for sweeteners. I may soon by accompanied by ASA Trade Advisor Don Phillips.

The U.S. sugar industry strongly supports the multi-lateral trade negotiations launched at Doha. We applaud the leadership shown by the administration in putting forward this ambitious proposal last July on the agricultural negotiations. The U.S. sugar industry has long endorsed the goal of global free trading sugar. Our producers are efficient by world standards and would welcome the opportunity to compete on a genuine level playing field.

The world sugar industry is now and has historically been characterized by a vast and complex array of government intervention that facilitates and even encourages the dumping of sugar onto the world market. World dump market prices have averaged less than half the world average cost of producing sugar over the past two decades. Government intervention and the pervasive dumping that results from it must be eliminated.

If these polices are not eliminated, a significant reduction in U.S. tariffs on sugar and sugar-containing products or an expansion of the tariff rate quotas on these products would have a ruinous effect on American sugar farmers. The U.S. market would be swamped by subsidized and dumped foreign sugar. Producer prices and incomes would fall sharply and massive sugar loan forfeitures to the government would mean major costs to U.S. taxpayers. American consumers would not benefit from the catastrophic drop in producer prices. History has shown that food manufacturers and retailers do not pass savings from lower producer prices for sugar along to consumers.

The U.S. proposal to the WTO on market access is an important step forward. This across the board approach, however, will not suffice to eliminate the trade distorting practices that prevail in the world sugar market. Many of these practices are non-transparent and do not fall readily into established

WTO categories. Thus, they are unlikely to be captured by the administration's broad brush approach.

These practices would include, among others, state trading enterprises, income supports, indirect export subsidies, infrastructural subsidies, debt forgiveness, exchange rate manipulation, and cross subsidies from programs such as sucrose ethanol. We are developing detailed information on these types of subsidies in a number of major countries. We will provide this information to the administration within the next few weeks.

We are also deeply concerned by recent proposals from the Kairns Group and other WTO members which would provide all developing countries much lower levels of obligation and longer staging periods. Developing countries account for fully three quarters of global sugar production and exports, and the sugar markets in many of these countries are significantly distorted by government policies. Concentrating reforms on the developed world while providing special and differential treatment to developing countries would doom to failure WTO efforts to deal with the pervasive problems affecting the world sugar market. Developed country sugar producers would not survive during a transition process, however efficient they may be.

To bring effective reform to the world sugar market, the same level of commitment and the same schedule of implementation must apply to both developed and developing countries. It is essential that the administration pursue comprehensive, sector-specific negotiations within the broader framework of the WTO agricultural negotiations. Such an approach would involve the identification and elimination of all significant trade-distorting practices in all countries. Unless all significant trade-distorting practices in the sugar sector are eliminated, this round of the WTO negotiations will not have reformed the world sugar market. World sugar market prices would still not reflect the costs of producing sugar. Further increases in market access would only expose American producers and other producers around the world to ruinously low dump market prices.

Negotiation of the elimination of sugar

trade distortions must proceed in tandem with the broader negotiations. Attempts to deal with specific practices after rigid formulas have already been agreed to would deprive negotiators of the leverage they need to address such practices. Only a sector specific approach can ensure that implementation commitments are appropriately timed and coordinated and, most importantly, achieved and enforced.

In conclusion, the U.S. sugar industry strongly supports the WTO negotiations on agriculture. We applaud the recent proposal put forward by the administration but this across the board approach must be supplemented by effective and comprehensive sector specific negotiations. Further increases in access to the U.S. sugar market must occur only after our negotiators have secured firm commitments to eliminate widespread and often nontransparent policies that have grossly distorted the world sugar market.

Thank you for the opportunity to testify.

CHAIRMAN SURO-BREDIE: Thank you very much, Mr. Roney, and welcome to Mr. Phillips. The first question will be asked by USDA.

MS. HENKE: Thank you, Mr. Roney. In your testimony you have stated that you're developing detailed information about the foreign practices that damage the world sugar market. This would be of great use to the negotiators and we'd like to know what the status of that information is and have you elaborate a little more and perhaps be a little more precise about when you'd be able to share that with us.

MR. RONEY: We have contracted with LMC International, renowned commodity analysis firm in Oxford, England, to do this work for us and it is taking some time because of the request that we made of them to describe for us not just the transparent practices that fit neatly into the WTO cones of distortion such as domestic supports, import tariffs and export subsidies. We've asked them to look at the nontransparent barriers as well and that's taking some digging. We have initially asked them to look at what we identify as the 13 major players in the world sugar market, one of which is the EU, so they're really looking at 15 countries there with the same policy. We expect to have their full findings available in early November and we're trying to expedite this as best we can because we know time is important, but the information is very important. We're going back to make sure that we're uncovering everything that we can and make it as explicit as possible.

MS. HENKE: Thank you.

CHAIRMAN SURO-BREDIE: Once it's complete, if you would like to submit it for the record, if you send it to Gloria Blue, she will have it in the reading room and share it with the panel. Thank you.

MR. RONEY: I'd be delighted. Thank you.

CHAIRMAN SURO-BREDIE: The next question by USTR.

MR. HAFEMEISTER: We noticed in your written submission a reference to ethanol subsidy programs in Brazil and our understanding is that these programs have in the past encouraged over-production of sugar resulting in increased capacity and more sugar on world markets. We have a question for you which relates to how new disciplines in the WTO might appropriately address a policy like this that has been in place in the past and may not be in place in the future. I was wondering if you had any idea of how we might discipline this type of historical measure in a prospective way.

MR. RONEY: Thank you, Mr. Hafemeister. You've hit on one of our biggest dilemmas in how to address these types of nontransparent barriers. In the case of Brazil, we're looking at a policy that's been in place since 1975. Since that time, they have quintupled their cane production to become the second biggest cane producer in the world, second only to India. At times, as much as two-thirds of that cane has gone into ethanol. The government subsidies permitted them to build a network of mill distilleries around the country that could process cane either into ethanol or into sugar. Their entire current capacity now as the world's largest sugar producer and exporter is based on two and a half decades of ethanol subsidies.

What is difficult and elusive within the WTO context is Brazil's contention that they are not directly subsidizing their cane producers. In strict WTO sense, that's true because the subsidies have been geared more toward ethanol production over the years. But the problem is that when their ethanol subsidies decline or when world oil prices are relatively low, that the producers of sugar cane can easily switch their production of cane from ethanol to sugar without having to build any new mills, and that's what's enabled them in the 1990s when ethanol subsidies faded, oil prices were low, that Brazil in just a three or four year period was able to triple its sugar production and virtually quintuple its sugar exports from one or two million tons per year to as much as 12 million tons per year over just a short period during which world sugar prices were plummeting from 14 cents per pound to four cents per pound.

So clearly, Brazil was not reacting to opportunities in the world sugar market. They were simply reacting to the fact that they were getting less for the sugar that was going into ethanol and in the process played a major role in driving down world sugar prices. They were able to continue to do that, at least in part because they dramatically devalued their rial during that period as much as 40 percent at one time.

This is a long-winded way to say that the problem is very difficult and to acknowledge that we have not yet been able to identify a way in future WTO disciplines to address cross subsidization of that sort. It's something that I think we need to first of all make sure that the U.S. administration is aware of the pernicious nature of these subsidies over the years and what we'd like to do is work with you to find a way to address that kind of oblique cross subsidization that is not direct, it's not transparent by WTO definitions, but it's had a profound effect on Brazil's ability to become the world's biggest producer and exporter of sugar over a fairly short amount of time.

MR. PHILLIPS: As Jack said, I think the key thing, we don't know necessarily how it could best be dealt with but I think that is something we want to discuss further.

One thing I'd just elaborate on a point that Jack made is the question of devaluation which has also had a major impact on the market. This is even more difficult perhaps to deal with in the scope of trade negotiations although we note in TPA there is mention of this as a problem that needs to be considered. But because of these devaluations, not just in sugar but in many agricultural products, Brazil has been put in a very strong competitive position and they've played a highly disruptive role, not only in the sugar market but coffee and a number of other markets.

So I don't know how or whether you can deal with this in a WTO context but I think its' something that needs to be considered and I would mention it's not just a concern of United States or the U.S. sugar industry. We've talked to a number of other industries, representatives, for example, in Central America, and they're also very concerned about the impact that Brazil is having on international commodity markets that they're interested in. Thank you.

CHAIRMAN SURO-BREDIE: Thank you. The next question is by the ITC.

MR. COLEMAN: For the next WTO

negotiations, the United States as well as some other countries have proposed substantial reductions in domestic support, the elimination of export subsidies as well as further disciplines on state trading enterprises. To what extent do these proposals address your concerns about distortions in international trigger markets?

MR. RONEY: Those are very important suggested disciplines and we support them wholeheartedly. We hope that they'll have a substantial impact on the world sugar market. However, the most important point that I think we seek to make here today is that those disciplines alone will probably not have an adequate effect on the world sugar market to enable countries such as the United States to further open their markets without falling prey to subsidized exports. What those proposals do is address some very important sets of subsidies, but they don't nearly begin to address the broad array of subsidies, particularly the nontransparent ones, that are so prevalent in the world sugar market. So there's progress there but that alone would not be adequate. We've got to look at the whole array and what we believe would be the most practical. In fact, probably the only viable way to be sector specific negotiations in sugar, all countries, all policies. Nothing off the table.

MR. PHILLIPS: I think one of the things we want to do once we've gotten these studies together is to meet with the USTR and the USDA, other members of the team and sort of go through these and perhaps see to what the extent some of the proposals can deal with them, the extent to which they can't and to which supplementary efforts are going to be needed.

I think another question arises. for example, in the disciplines that are proposed on STEs as to how well they will actually work. We have a situation with China which I'm somewhat familiar with where we negotiated very strict rules on STEs, much stricter than what the WTO requires, but they don't seem to be at this point working remarkably well in terms of opening the markets. There are those kind of questions obviously out there as well and I think, as Jack mentioned at the outset, there's also the concern about how this special and differential treatment is going to play into this because if, in fact, there are these very distinctly different levels of commitments, your schedules for developing countries, especially for a market like sugar that's dominated for developing countries it would really undercut any effort to reform the market.

CHAIRMAN SURO-BREDIE: And the last question by the Department of Commerce.

MS. MORROW: You've emphasized today and in your written testimony an interest in a sectorial approach to negotiations. What type of disciplines would you recommend pursuing in this context?

MR. RONEY: That would be something that we would want to work with the administration on. We're not far along yet to suggest specific disciplines. I think what we need to sort our first are what policies we're going to go after, what we're able to identify, and prioritize those and then work with the administration on the type of disciplines that would be most effective.

MR. PHILLIPS: The only thing I'd add to

that. It may not be a question of broad new disciplines. It may be a question of the specific barrier and getting a commitment to eliminate that barrier. But I think we can't pre-judge it right now.

CHAIRMAN SURO-BREDIE: Thank you very much.

Our next witness is Susan Brauner, Director of Public Affairs, Blue Diamond Growers. Whoops.

MR. HERON: I am not Susan. My name is Julian Heron. Ms. Brauner was detained on the west coast working on some of the continuing impacts of the west coast dock strike which still hampers U.S. exports and almond exports and so, with the Chair Lady's permission, I will present her testimony and the testimony of Blue Diamond.

The testimony hopefully you have before you and it was organized actually so that it would become hopefully a reference work during the course of the WTO negotiations which we support as we do all of the free trade negotiations that are either under way or proposed or being considered such as the Central

American free trade area, Chile, Singapore, Israel, Morocco, Australia and, of course, the FTAA which we refer to as the Free Trade Agreement for Almonds.

The WTO proposal for reducing tariff barriers we support completely, believe that it's quite well though out and ambitious and actually encourage this committee and our negotiators to go further and, in the case of almonds, obtain a zero duty in every country world-wide so that almonds can flow freely to any of the countries. We currently export to over 100 countries and eventually hope to get that to all countries.

Blue Diamond is a farmer-owned, nonprofit marketing cooperative that markets almonds for the majority of the industry and exports the almonds to markets that it has developed over the years. So this negotiation is particularly important because our business depends on exports and we encourage you to work on it as hard as you can and obtain as much as possible for almonds and all American exports.

You'll see that our presentation is organized first setting forth our objective which is zero for zero world-wide and then with each country we've categorized the country's importance as highest, high or important and we hope that that might be helpful to our negotiators and also indicated how much we would anticipate exports to increase if we're able to obtain zero duty in that country. Obviously, that calls for some speculation but based on our experience, we think that the numbers are realistic and obtainable and so this will give you a benchmark for the hard work that you're putting into the negotiations and the benefits for the U.S. economy and the almond industry in particular.

With that, I'll be happy to answer any questions that anyone has.

CHAIRMAN SURO-BREDIE: Thank you very much. The first question is from the Department of Labor.

MS. VALDES: Good morning.

MR. HERON: Morning.

MS. VALDES: Has your organization discussed your views of complete tariff elimination with any other organization abroad?

MR. HERON: Yes. We've been working and have underway an effort in all of our major markets working with the importers and their trade associations to encourage their governments to support the concept of zero. Even the countries that produce almonds -- there aren't very many but they're all importers so there's no country in the world that can say with a straight face -- I can't say they won't say it to you but they can't say it with a straight face-- that they have domestic production to protect.

Spain, the second largest producer in the world, now ranks as our second largest export market because they found it's much more profitable to import California almonds, put a Spanish label on them and sell them as Spanish rather than go to the trouble of growing them in Spain and their production has been declining steadily. So we are doing that.

Next week at the International Nut Conference which moves around the world but its location next week is in Paris, we hope to have a resolution adopted supporting the zero concept for almonds and perhaps other nuts.

CHAIRMAN SURO-BREDIE: The second question by USDA.

MS. HENKE: Thank you, Mr. Heron. Your handout is very comprehensive and we appreciate the work that went into it. We notice that you have talked about a zero for zero in the multi-lateral and then when you go to the discreet countries, you have fairly discreet decisions. Have you analyzed the other approaches, other formulaic approaches, that might be undertaken in the multi-lateral context that would best benefit your industry? We've proposed the Swiss 25 in the U.S. proposal. Have you analyzed the Swiss 25 or something like that for your industry?

MR. HERON: Actually, we haven't and the reason for not having done that, as we thought about it, we had such great confidence in the ability of the United States to achieve zero, it seemed best just to calculate that.

MS. HENKE: I have nothing else to say to that.

CHAIRMAN SURO-BREDIE: The next question is by the USITC.

MR. COLEMAN: Your testimony this morning has focused very much on market access issues, but are there any other issues that Blue Diamond Growers would like to bring to the attention of this committee other than market access issues?

MR. HERON: In the submission, we did refer to a few items, but our primary focus is market access. We do have some phytosanitary problems. Brazil's new regulation that calls for all sorts of phytosanitary documentation that simply doesn't exist and can't be provided is troublesome. They use GMO regulations which impacts us because we often roast our almonds in soy bean oil and so that gets us into the GMO. Those kinds of things, but for whatever little bit of time is allocated to almonds, please use it for reducing duties.

CHAIRMAN SURO-BREDIE: The last question is USDA's.

MS. HENKE: Mr. Heron, thank you. You've already answered the question we were asking about the reason for your concern on GMOs. You discussed the soy bean oil. Do you have any more you'd like to say about that? Any suggestions or solutions to that problem?

MR. HERON: Well, perhaps the EU will come into the modern world some day.

MS. HENKE: Thank you.

CHAIRMAN SURO-BREDIE: Thank you, Mr. Heron.

MR. HERON: Thank you very much.

CHAIRMAN SURO-BREDIE: Now I think we have a break because we have lost one of our witnesses and the next witness is not expected to testify until 11:45. Are you here? Oh, good. Mr. John Frydenlund, Director of the Center for International Food and Agricultural Policy. Thank you.

MR. FRYDENLUND: Thank you. On behalf of Citizens Against Government Waste, these comments are submitted to convey our assessment of the economic effects of eliminating and reducing the U.S. tariffs on certain agricultural products from WTO members. CHW is a nonprofit, nonpartisan organization which grew out of President Reagan's private sector survey on cost control, better known as the Grace Commission.

The organization's mission is to work for the elimination of waste, mismanagement and inefficiency in the federal government with a goal of creating a government that manages its programs with the same eye to innovation, productivity and economy that is dictated by the private sector.

The Center for International Food and Agriculture Policy institutionalized CHW's long-standing goal of dismantling depression era agriculture price supports and regulations. CHW believes that significant tariff reform on peanut products and sugar will result in positive economic benefits for U.S. consumers and other users of such products. U.S. maintenance of substantial barriers to food and agricultural trade will undermine its ability to obtain additional market access to the markets of our WTO trading partners.

The United States can only take advantage of tremendous opportunities to expand its agriculture exports if it pursues a progressive trade policy on all agricultural commodities. The United States must maintain a coherent trade policy position throughout the WTO talks that will benefit the entire U.S. food and agriculture sector. The November 2001 Doha mandate moved countries toward creating a level playing field internationally where farmers, processors and manufacturers can compete and prosper on the basis of a comparative advantage unhindered by market access barriers.

Restrictive tariff rate quotas on peanut products are in direct conflict with the goal of obtaining greater market access for other U.S.-grown agricultural products. With exports of U.S. agricultural commodities totaling more than $50 billion annually and many more billions of dollars of export potential, the value of other U.S. agriculture commodities is unquestionably greater than any need to maintain the existing protections that were designed to protect peanut quota holders.

The top 20 categories of U.S. agriculture commodities have a value of nearly $193 billion compared to peanut production which was valued at $992 million in 1999. The future of U.S. agriculture lies in exporting commodities where we have this comparative advantage. Maintenance and trade barriers is contrary to the interest of beef, corn, soy beans, pork, wheat and other commodity producers who need to take advantage of expanded export markets.

CHW supports the U.S. proposal on sugar which includes a reduction in tariffs over five years to no more than 25 percent, the 20 percent increase in tariff rate quotas for the quantities over five years and agreement on a date for complete elimination of tariffs and quotas.

From CHW's perspective, multi-lateral trade liberalization will have a multitude of positive effects. The lower consumer food costs will benefit low income Americans relatively the most since they spend a disproportionate share of their incomes on food. The greater availability and affordability of sugar would increase the profitability of sugar containing products which would encourage new product development and give consumers more choices. It would also help to keep food manufacturing in this country providing jobs for American workers.

In conclusion, the highly restrictive

tariff rate quotas on peanuts, peanut products and sugar can no longer be justified. United States has too much at stake to jeopardize the opportunity to obtain greater market access for other U.S. agricultural products. For most of American farmers to prosper in the future, it is absolutely essential that the United States seek major improvements in market access in the negotiations on agricultural reforms under the WTO. We can not afford to let bad trade policy on peanuts and sugar interfere with our need to reduce barriers and level the playing field in the $600 billion global agricultural market.

If we are continue to be a strong player in world markets and to maintain and expand U.S. agricultural prosperity, we must push for further reductions in trade impediments. Insisting that peanuts and sugar receive special treatment in future trade negotiations will certainly cause other countries to insist on receiving similar special treatment for their politically sensitive crops. Why jeopardize U.S. efforts to get market access and other trade concessions for all other American agriculture commodities for the sake of protecting a privileged few?

We thank the TPSC for providing us with this opportunity present our views on agricultural import restrains on peanuts and sugar and how it impacts the rest of American agriculture. We believe that elimination of U.S. tariffs under the WTO on peanuts, peanut products and sugar will provide positive benefits for U.S. consumers who will be able to purchase peanut and sugar products at competitive prices. Thank you very much and I'll be willing to answer any questions.

CHAIRMAN SURO-BREDIE: Thank you, Mr. Frydenlund. I had a question which was as your group was looking at these issues, I'm curious if there were other products that were identified as causing waste or were these the only two?

MR. FRYDENLUND: We have concentrated on these commodities mainly because we've been very involved for a number of years in seeking significant reform of domestic peanut and sugar programs and have come to the conclusion as things have developed that our peanut and sugar policies, including our researching of imports, etcetera, has really stood in the way of accomplishing significant global reform of trade.

CHAIRMAN SURO-BREDIE: Thank you.

MR. FRYDENLUND: I believe there probably are other problems and other commodities that we can highlight, too.

CHAIRMAN SURO-BREDIE: Thank you. The next question will be posed by USTR.

MR. HAFEMEISTER: We would like to know if you have conduct ed any economic analysis or are aware of any economic analysis which could quantify the benefits to consumers and the economy as a whole of liberalizing trade in the products you highlighted.

MR. FRYDENLUND: Although we have not conducted our own economic analysis, there have been a number of them conducted over the years that have talked about the impact to consumers. In fact, I believe there have been specific analysis done on the impact on consumers on trade restrictions on sugar. Some of these economic studies -- and I apologize, I can get a more specific answer to you later -- but I believe GAO has conducted a couple of them over the years and I think those are the main ones that have come to conclusions that frankly there have been a quite a variance in estimate of what the impact is on consumers ranging from $500 million upwards of $2 billion a year.

So it's hard to like pinpoint which is the exact answer but there have been over the last, I would say, six, seven years, there have been three or four studies that I can probably locate for you.

MR. HAFEMEISTER: Some of the subsequent panelists may refer to them. I think they've submitted some information on that. But if there is information you'd like to provide the panel, we'd be glad to have it.

MR. FRYDENLUND: Thank you.

CHAIRMAN SURO-BREDIE: The easiest way is to provide it electronically to Gloria Blue at gblue@ustr.gov.

MR. FRYDENLUND: I have that information.

CHAIRMAN SURO-BREDIE: Thank you. USDA

has the next question.

MS. HENKE: Thank you. Thank you, Mr. Frydenlund. Has your organization received input from peanut growers and, if so, could you tell us what their views are with respect to your ideas?

MR. FRYDENLUND: No. We have not received any input from peanut growers and actually have not discussed our views with them. They probably don't agree with us.

MS. HENKE: Okay. In your testimony you say you support the tariff reduction mechanisms that the United States has suggested. Peanuts would be subjected to the same reduction commitment and yet you seem to want a complete overhaul. We'd like to ask you to explain your focus on the peanut program, particularly since in the new Farm Bill the domestic support for peanuts has been changed to become much more similar to the grains, oil seeds and cotton programs.

MR. FRYDENLUND: We believe that overall, even if the Doha round does not accomplish this completely, we believe that overall the goal should be to totally level the playing field. That's why we believe that all negotiations should be totally comprehensive and everything should be on the table and ultimately the goal of our organization would be to see it complete and to tariffs trade restrictions world-wide. That would include developed countries, developing countries.

We believe that people throughout in the world in every country will ultimately benefit most from having agricultural products produced where there is a comparative advantage and, even though that does mean in many cases throughout the world temporary dislocation or disadvantage to particular sectors in particular countries where they do not have a comparative advantage, in the long run, if different crops and products are being produced where there is comparative advantage, the whole world will benefit. So ultimately our goal is to complete elimination of tariff barriers and trade restrictions.

MS. HENKE: On agricultural products at large but starting with peanuts as egregious elements.

MR. FRYDENLUND: Right. Peanuts and sugar we believe are both --

MS. HENKE: But your goal is on all products?

MR. FRYDENLUND: Yes. I mean I think this is not necessarily the focus of your hearing today but I mean we would say that it applies to other products, whether it's textiles, steel.

MS. HENKE: So more than agricultural products.

MR. FRYDENLUND: Yes.

MS. HENKE: Thank you.

CHAIRMAN SURO-BREDIE: The next question from the Department off Labor.

MS. VALDES: Good morning. In a couple of places in your testimony, you mention the possible expansion of -- throughout the peanut sector which has spanned peanuts production and that the elimination of U.S. tariff on peanuts products and sugar would likely have little or no adverse effects in the U.S. industry. Can you tell us how or provide data later on what the current employment in the peanuts industry is and how has it changed in the last 10 years.

MR. FRYDENLUND: I probably will have to provide that for you later. I think there has been a reduction in jobs and the peanut processing industry, particularly as it relates to the candy manufacturing industry.

MS. VALDES: Do you have any estimate of U.S. job expansion based on your objective in the WTO to open U.S. trade on imports and exports on peanuts?

MR. FRYDENLUND: I may be able to provide that for you. I will try. I think it would possibly be more in the way of a reverse explanation of what, relating to your first question looking at the job losses that occurred and hopefully what we'd be talking about is maybe a restoration of jobs.

MS. VALDES: We will appreciate it. Thank you.

CHAIRMAN SURO-BREDIE: I think that concludes our questions. Thank you very much.

MR. FRYDENLUND: Thank you very much. One last question. All of these questions for the information request should be sent to Gloria Blue. Is that correct?

CHAIRMAN SURO-BREDIE: Right.

MR. FRYDENLUND: Thank you.

CHAIRMAN SURO-BREDIE: Thank you.

Our next witness is Robin Lanier, Executive Director of Consumers for World Trade.

MS. LANIER: I feel like I was just here.

CHAIRMAN SURO-BREDIE: You were.

MS. LANIER: Good morning, everybody. Thanks again for this opportunity to appear before you on market access issues. Earlier this week, CWT presented testimony on industrial products, principally clothing and footwear. Today I will talk briefly about food.

Once again, our main objective in appearing before you today is to point out that the United States maintains exceptionally high tariffs on the necessities of life, namely food and clothing. We urge you to remain cognizant that millions of American consumers pay the price for protective tariffs and that improving the standard of living for working American families should be an important goal of U.S. trade policy in addition to the opening up of markets for competitive export industries.

The United States is a major producer of most agricultural commodities and processed food products as well as a major consumer of these goods. As a result of the Uruguay Round, import quotas no longer exist on agricultural products and, while tariff rate quotas now provide more transparency for consumers, they also represent substantial border protection for many of these same goods through restrictive lower tier quota levels and high upper tier over quota tariffs. In addition, many agricultural tariffs, particularly in those sectors where significant border protections are imposed, are difficult to understand and measure because they are not assessed on an ad valorem basis.

While the average agricultural tariff in the United States is about 12 percent, this average masks some extremely high and very nontransparent tariffs which are nothing more than taxes paid by Americans. For example, according to the USDA's Economic Research Service, the following six groupings of food commodities have U.S. tariffs at or above the

U.S. average. Fresh meat 12 percent, oil seed 17 percent, nuts 17 percent, coco beans and products 18 percent, dairy products 43 percent, and sweeteners 46 percent. Even these figures, however, are averages and therefore somewhat misleading. An examination of the individual tariff lines reveals higher tariff rates often exceeding 100 percent called mega tariffs.

Mega tariffs are most prominent in the U.S. tariff schedules for dairy, sweeteners and nuts, all food commodities subject to tariff rate quotas. According to USDA, about 24 tariff lines in the agricultural chapters of the U.S. tariff schedules-- this would be excluding tobacco -- identify over quota tariff rates in excess of 100 percent. The U.S. over quota tariff rate on sweeteners exceeds 200 percent and on peanut butter is 132 percent. Seven different dairy products have over quota tariffs exceeding 100 percent.

Some of these food products are direct consumer goods and some are ingredients used to make other food products. Either way, such extraordinary tariff rates impose substantial costs on American consumers. These mega tariffs and other above average tariff rates must be a high priority for immediate substantial reduction in this round of trade negotiations. In addition, CWT supports the conversion of all specific rate tariffs to ad valorem tariffs thereby making them more transparent.

CWT fully recognizes that many of the food products with high tariff rates in the U.S. are similarly protected in other major agricultural producing nations. The Doha negotiations therefore provide an ideal opportunity to dismantle these tariff walls on a global basis benefitting consumers everywhere. We recognize that it will take time to phase out these tariffs but strongly support the setting of a specific date by which these tariffs will be fully eliminated.

Finally, tariff rate quotas on products like sugar, peanuts and dairy are hugely distorting to the U.S. economy. Not only would end consumers benefit by a reduction or elimination of border taxes on these products, the elimination or steep reduction of these tariffs would assist intermediary consumers or down stream producers to remain competitive. The sad fact is the tariff rate quotas on products like sugar pit American farmers against American food processors. Indeed, the continued high cost of sugar in the United States has been a factor in the relocation of food processors offshore. That relocation not only costs American jobs, but it impacts American consumers depriving them of competitive U.S.-made products.

In closing, CWT strongly believes that one goal of the Doha round ought to be raising living standards here at home through tariff reductions. Because tariffs are taxes that affect millions of Americans, this ought to be a priority at least as important as creating new export opportunities and easily much more important than maintaining long-standing protection that ultimately may cost more jobs than it protects.

In the case of agriculture, global reform also has the added benefit of raising living standards world-wide at the same time as it would create new export opportunities for competitive American farmers and help to keep competitive U.S. food processors from relocating offshore. Thank you very much.

MR. HAFEMEISTER: Thank you for those remarks. Let me ask you the first question which is we heard your support for the idea of setting a specific date for eliminating all tariffs in agriculture. We wonder if you have any assessment or view on this U.S. proposal for an intermediate step which is to use the so-called Swiss formula with a 25 coefficient.

MS. LANIER: We do not have a specific view on the Swiss formula, but we do recognize that phasing out agriculture tariffs is going to be a long-term process. As much as we would like to eliminate these tariffs tomorrow, I think the political reality is that this is something that we have to work on over time. But we do support the idea of setting a date certain by which we will try to get rid of these tariffs because we think having that date is something to work for and it can be a date that's well in the future. I think that would be all right as far as we are concerned.

We have no particular view with respect to how you should go about doing that, whether it's a formulaic approach or how deep the cut should be or request offer. Whatever the modality is that appears to work best we would, I think, support just so long as we're making progress towards a goal.

MR. HAFEMEISTER: Our next question I'll also ask is you focused your remarks on market access issues. The WTO agriculture issues also cover subsidy policies, domestic and export, and we wonder if you have any comments on those issues.

MS. LANIER: CWT generally supports the discipline of non-tariff barriers and subsidies but our view here, much like one of the previous witnesses this morning, is that the tariff policy from a standpoint of consumers is the most important name in the game. So from our perspective when looking at agricultural policy, getting rid of the high tariffs has the first and most immediate effect on consumers. Disciplining subsidies has some effect on consumers but if you are to only discipline subsidies and not have any progress made on tariffs, consumers could conceivably reap very little benefit.

CHAIRMAN SURO-BREDIE: The next question is by USDA, please.

MS. HENKE: Thank you. We'd like to ask your opinion on how you think the U.S. government could balance the needs of consumers for low prices with the needs of farmers to sustain viable productive activities in the United States.

MS. LANIER: Well, obviously I represent consumers so my response is going to be somewhat biased. From our perspective, you have more than just consumers and farmers in this mix. As I pointed out in my testimony, you have consumers, you have food processors who are what I would call intermediary consumers or downstream consumers, and you have farmers and it seems to me that our policy right now seems to take the view that the most important of those three entities is the farmer. We have proposals in place that impose enormous costs on consumers, end consumers, and enormous costs on food processors. I don't speak for food processors but there have been some well-documented cases -- the Life Saver case, for example -- where the cost of sugar was a contributing factor to their relocating offshore.

How the government balances that is a very tricky thing and I'm not sure that I have any great advice for all of you, but I do know that right now the scales are quite tipped. It's not a level playing field for what I would say the three American interests that have concerns here. The scales are tipped in the favor of the producer at the huge expense of the many millions of other consumers, both industrial and end consumers.

MS. HENKE: Thank you.

CHAIRMAN SURO-BREDIE: I think that completes our questions. Do you have a question? The Department of Labor has a question.

MS. VALDES: You mentioned that it's going to be very difficult for other countries to lower their tariff because it's very sensitive. But you said also that you agreed to a period. Are you talking about some phase out period similar to textile???

MS. LANIER: I would imagine, this being as difficult as the textile issue which I have spent many years laboring in, that achieving overnight success and elimination of tariffs is not a real possibility here and so I think we would be looking at a long-term phase out but a date certain, much as we did with textile quotas where we had a 10 year process under the agreement on textile and clothing to phase out quotas. So very long period of time but I'm surprised how quickly 10 years actually passed because we're right on the cusp of getting rid of those quotas and now focusing on the tariff issues in textile.

So agriculture policy is equally intractable but much good can be done by setting a date certain and I understand the United States is looking at that and I think that's a good thing, even if that date is well in the future.

MS. VALDES: Thank you.

CHAIRMAN SURO-BREDIE: We asked the question of the Department of State because we're running ahead. Thank you so very much, Ms. Lanier.

MS. LANIER: You're welcome.

CHAIRMAN SURO-BREDIE: Now I think we may be missing our next witness because we're so far ahead. Is Mr. Jaeger here by chance? No. Then I think what we need to do is declare a small break until noon when Mr. Jaeger is expected to be here to testify. So we'll reconvene at noon in the same room. Thank you.

(Off the record for a 20 minute recess at 11:40 a.m.)

CHAIRMAN SURO-BREDIE: This hearing is reconvened. We will now hear testimony from Arthur Jaeger, Associate Director of the Consumer Federation of America. Thank you, Mr. Jaeger. We are a little ahead of ourselves so we had to have a small break. I hope we didn't keep you waiting very long.

MR. JAEGER: I just got here. Things seem to be working out fine.

I'm pleased to be here today on behalf of Consumer Federation of America. CFA is an association of approximately 300 pro-consumer groups formed in 1968 to advance the consumer interest through advocacy and education. I'm here once again to mention the trade restrictions erected under the federal sugar and peanut programs. CFA has long opposed both programs because in our view they cause consumers to pay more than they should for food.

We were pleased to see a more market-oriented program for peanuts enacted earlier this year. Congress replaced strict production controls with a cash payment program that will allow U.S. producers to sell peanuts for domestic markets at approximately $355 per ton. This is a substantial improvement over the previous $610 per ton. It should reduce import costs for food processors and put downward pressure on retail prices for peanuts and peanut butter. Unfortunately, the peanut program's tariff rate quota will continue to restrict imports of lower priced peanuts from other countries. As a result, despite the domestic reforms, consumers will still pay more than they should for peanut products.

Likewise, the sugar program continues to rely on a system of import restrictions and price supports that keeps prices paid to U.S. producers well above what they would otherwise receive. That means consumers will continue to pay a hidden subsidy every time they buy food products containing sugar at the grocery store.

Two years ago, the General Accounting Office concluded that eliminating the sugar program could save U.S. consumers as much as $800 million annually on the price of table sugar alone. That equates to a savings of up to 50 cents on a five pound bag of sugar. Likewise, in the early '90s GAO concluded that the peanut program inflated retail prices for peanut products by perhaps as much as $500 million a year. That translated to approximately 30 cents on the price of an 18 ounce jar of peanut butter. Eliminating the domestic peanut quota should bring that cost down substantially but consumer harm will remain as long as the current tariff rate quotas restrict imports.

The over quota tariff for sugar is approximately 16 cents per pound compared with a world price of approximately eight cents. For peanuts, the over quota tariff is about 130 percent or 165 percent depending on whether the peanuts are shelled. Such tariffs very likely would provoke U.S. complaints if they were maintained by other countries and, of course, they are problematic when the United States pushes other countries to lessen trade barriers. If it is not possible to eliminate these tariffs, consideration should be given to either a substantial reduction in tariff rates, an increase in below quota imports or both.

For consumers, the results of these actions would be downward pressure on retail prices for sugar and peanut containing products. Prices may decline or, more likely, they would increase more slowly in future years. Either way, consumers would benefit.

Reductions in sugar and peanut tariffs would also have implications for producers. In 1995, for example, the Food and Agriculture Policy Research Institute concluded that removing sugar import quotas would reduce domestic sugar production by as much as 11 percent after five years. CFA is concerned about the continuing decline in the number of family farms in this country. These farms add much to the economic and social fabric of the nation and we feel those that remain should be preserved.

For this reason, in lieu of the sugar program, CFA has suggested a cash assistance program targeted only to those small producers needing help to survive. This would be more efficient than the current program since it would concentrate assistance where it's needed most rather than on the general population of producers. Import restrictions under the sugar and peanut programs have been picking the pockets of U.S. consumers for many years and they conflict with U.S. goals in international trade talks. Reducing these trade barriers, in our view, would be a clear step in the right direction.

CHAIRMAN SURO-BREDIE: Thank you, Mr. Jaeger. If I could ask the two new panelists to identify themselves for the transcription, that would be a great help.

MR. WIECKING: My name is John Wiecking. I'm with the Department of State and the Office of Agricultural Trade.

MR. WHITLEY: My name is Daniel Whitley and I'm with the Department of Agriculture's Foreign

Ag Service, the Multilateral and Trade Negotiations Division.

CHAIRMAN SURO-BREDIE: Thank you very much.

So the first question is from the USITC.

MR. COLEMAN: Good morning, Mr. Jaeger. Do you think that the U.S. proposal which includes a Swiss 25 formula adequately addresses your concern over sugar and peanuts?

MR. JAEGER: The U.S. proposal, as I understand it, is a good start. I think in the long run we need to go farther but it starts us down the road towards eliminating these tariffs.

MR. COLEMAN: Thank you.

CHAIRMAN SURO-BREDIE: And then USDA, please.

MR. WHITLEY: Good morning, Mr. Jaeger, and thank you for your testimony. In your testimony you mentioned about a cash assistance program that would work more efficiently than the current program that's in place. Could you elaborate on that a little bit and tell us how it would work in your views.

MR. JAEGER: Part of our thinking on this stems from an analysis that ERS actually did where they looked at rolling the USDA agricultural support programs into programs more like the assistance programs for low income people. Basically, instead of awarding benefits based on the pounds or tons of sugar or peanuts that you produce or wheat or corn or rice, you look at income and you award benefits. You increase the benefits or award benefits only to those farmers who are struggling with income. The assumption is this would be the smaller farmers. They're the ones that seem to have more trouble.

When USDA looked at this, and I'd be happy to provide a copy of their analysis, they looked at farm programs in general and they pointed out that the total cost of the farm programs would not be reduced but the distribution of where the money went would change radically. Instead of most of it going to the largest presumably better off farmers, it went to the smaller struggling farmers. These are the ones who are falling out of the system. As we understand it, these are the ones who most need the help. This would, in our view, be much more efficient and make much more sense.

The current system, in our view, is akin to -- if you look at food stamps -- if you adopted the farm program approach to food stamps, the more money you made, the more food stamps you would get. That, to us, doesn't make any sense. We'd suggest adopting the food stamp approach for farm programs. It would have one other advantage. When these subsidies are paid through the market place, when you prop up the price to farmers and that increased income to farmers is passed on through the system to consumers, that's a regressive tax because lower income people pay a higher percentage of their income for food.

So through the current system, not only, in our view, rewards the wrong producers or tends to reward the wrong producers, it also puts a greater burden of pain for those benefits on the wrong consumers, the low income consumers who can least afford to pay it. If you switched this over and made it a cash benefit program, the financing of the program would then be progressive and those who could afford to pay a little bit more to support those farmers would pay a little bit more and those who could least afford to pay those benefits would pay less.

The peanut program, of course, switched over this year to more of a cash benefit program but that program is not targeted, as I understand it at this point, towards the smaller producers. That's what we'd like to see in a refashioned peanut or sugar program.

MR. WHITLEY: Thank you very much.

CHAIRMAN SURO-BREDIE: The next question by the Department of State.

MR. WIECKING: Mr. Jaeger, good morning. Your concentration on consumer welfare I think is one that will be applauded by the consensus of trade economists and one that we at the State Department of course approve of as well. I think everybody else in this room does. But as you know, trade negotiations work on a basis of trading concessions and I wondered if your organization had given any thought to which markets in particular you would like opened up in exchange for the concession of cutting back on tariffs and on domestic support on peanuts and sugar.

MR. JAEGER: Well, I haven't given a lot of thought to that but clearly I think one of the U.S. goals is to increase exports of other U.S. farm commodities. That's what I would suggest. Put that at the top of the list.

MR. WIECKING: Keep it within the agriculture area as would normally be done.

MR. JAEGER: Exactly.

CHAIRMAN SURO-BREDIE: We had one last question which was the fact that your testimony had focused on peanuts and sugar. Do you have views on other products that affect consumers?

MR. JAEGER: Well, we do but I chose to testify and I focus on agriculture and peanuts and sugar. The individual at our organization who focuses on other commodities beyond agriculture did not choose to testify today or in this round of hearings.

CHAIRMAN SURO-BREDIE: USITC.

MR. COLEMAN: Just one quick question. Earlier this morning the American Sugar Alliance provided testimony and in their testimony they said the following. American consumers would not benefit from the catastrophic drop in producer prices. History has shown that food manufacturers and retailers do not pass savings from lower producer prices for sugar along to consumers. In other words, they're saying with the reduction of prices, the benefit is captured by the manufacturing sector and not passed on to the consumers. What comments would you have in regard to that statement?

MR. JAEGER: I actually early this year, in response to those arguments from the American Sugar Alliance, I spent a lot of time looking at that issue and at first blush when you look at the charts that Jack presents, it certainly looks like he's correct. I was prepared to conclude he was correct. The longer I looked into it, the more convinced I became that the so-called pass through is there and reforming the sugar program would benefit consumers. Now, it's not 100 percent in either direction.

From the research that I did, when the raw price of sugar or the producer price goes up, the retail price doesn't go up exactly in lock step. When the raw price or the producer price comes down, the retail price doesn't come down exactly in lock step. There are lots of factors that affect that retail price. But one of the major ones for a retail product like a five pound bag of sugar, one of the major factors in that price is the producer price of sugar and, in general, over time, assuming a competitive market, I'm convinced that increases and decreases in that producer price of sugar will be reflected in the retail price.

There was, of course, a couple of years ago a significant drop in the producer price of sugar, both cane and beet, and there was very little movement in the retail price. Jack tends to throw that in my face at every opportunity. That shouldn't have happened. There should have been some movement there. I think the factor that affected that is increased concentration at both the retail and the food processing level. When too few players are involved, obviously you end up with an anti-competitive market and you will not see as much of that pass-through effect as you would see in a competitive market.

To our view, the solution there is not to continue the sugar program but to foster a competitive market by scrutinizing mergers and that sort of thing. Again, even in that period that Jack cites where the producer price plummets and the retail price stays steady, and he tends to look at not refined sugar at the retail level but he likes to look at candy and gum, I looked at candy and gun and I did not find a decrease in the retail price but I found a significant slowing of the increase in the price of gum. So even in that period that Jack likes to cite, I saw downward pressure on the price of candy and gum as a result of that drop in the -- or in that period when the producer price plummeted.

I presented my analysis of this at the Ag Outlook Conference in January or February of this year and I'd be happy to provide a copy of that analysis to you all. It explains more logically what I just went over.

MR. COLEMAN: Thank you.

CHAIRMAN SURO-BREDIE: Could you send that to Gloria Blue, gblue@ustr.gov.

MR. JAEGER: Absolutely.

CHAIRMAN SURO-BREDIE: Electronically.

MR. JAEGER: In fact, I've got it with me today and I'll just leave it here.

CHAIRMAN SURO-BREDIE: Great. If you can also forward it electronically, it's easier to distribute.

MR. JAEGER: Great.

CHAIRMAN SURO-BREDIE: Thank you.

Do we have more questions? If not, thank you very much.

This hearing is adjourned and we will reconvene at 2:00. Don Eiss will chair.

(Whereupon, the hearing was adjourned at 12:15 p.m. to reconvene at 2:00 p.m.)

A-F-T-E-R-N-O-O-N S-E-S-S-I-O-N

2:00 p.m.

CHAIRMAN EISS: I'd like to welcome you all to the USTR refrigerator for the afternoon. The hearing will come to order. My name is Don Eiss and I welcome you all to this hearing. I will be chairing the afternoon part of today's hearing and I would like to welcome both our witnesses and the members of the panel. For the benefit of those who were not present this morning, very briefly I'd just like to review and remind all of us that this hearing is being conducted by the Trade Policy Staff Committee, an inter-agency body chaired by the Office of the U.S. Trade Representative.

The subject of this hearing is market access and the DOHA development agenda negotiations in the World Trade Organization, specifically for agricultural products. The DOHA declaration outlines three objectives of the agriculture negotiations. Substantial improvements in market access, reduction with a view to phasing out all forms of export subsidies and substantial reductions in domestic support.

Market access issues, which are the specific topic for today's testimony, for negotiation include tariffs, tariff rate quotas, tariff administration and import state trading enterprises. We have had a number of witnesses appear this morning and we have two witnesses on our schedule to appear for this afternoon. Before letting the members of the inter-agency panel introduce themselves, I would just briefly review for the witnesses the procedures for testifying.

As indicated in *The Federal Register* notice regarding this hearing, we ask that you provide an oral statement of approximately five minutes which provides for about 10 minutes of questions from our panelists so that we can proceed efficiently through our afternoon witnesses. This is not a congressional hearing and in that sense, there will not be red, yellow and green lights and, as chair, I will exercise a fair amount of flexibility to allow the witnesses to make all their points and their statements but, if necessary, I will gently remind you about the timing of your statement so that we can in fact keep fairly close to the schedule we've set out for ourselves for this afternoon.

Before calling our first witness to make their statement, I would ask starting on my far left for the members of the inter-agency panel to introduce themselves and identify their agency affiliations.

MR. LINSCOTT: My name is Mark Linscott and I am Deputy Assistant, USTR for Environment and Natural Resources.

MR. WIECKING: I'm John Wiecking from the State Department. I'm in the Office of Agricultural Trade.

MR. HAFEMEISTER: My name is Jason Hafemeister. I'm in the Agriculture Office at USTR.

MR. WHITLEY: Good afternoon. My name is Daniel Whitley. I'm with the Department of Agriculture, Foreign Ag Service, Multi-lateral Trade Negotiations Division.

MR. COLEMAN: I'm Jonathan Coleman. I'm with the U.S. International Trade Commission working in the Agriculture and Forest Products Division.

MS. VALDES: Good afternoon. My name is Ana Valdes. U.S. Department of Labor, Bureau of International Labor Affairs.

CHAIRMAN EISS: Thank you all very much and so with that, I would call to the table Mr. Jaime Castaneda, Vice President of the National Milk Producers Federation to make his statement. Welcome and we look forward to hearing your comments.

MR. CASTANEDA: Thank you, Mr. Chairman and members of the committee. As you said, my name is Jaime Castaneda. I'm the Vice President for Trade Policy for the National Milk Producers Federation and a senior trade policy advisor for the U.S. Dairy Export Council. At my side is Peter Vitaliano who is Vice President for Economics and Market Research at the National Milk Producers Federation.

I appreciate the opportunity to present the views of the National Milk Producers Federation and the U.S. Dairy Export Council with respect to market access and the DOHA development agenda negotiations in the World Trade Organization. The most significant issue related to market access for the U.S. dairy industry is that the majority of the important dairy product markets around the world, not only our own, but also those to which U.S. products are exported are also subject to significant import restrictions and market access barriers. Furthermore, there are major disparities in the nature, extent and height of these barriers among these countries.

It is critical that the U.S. negotiators in the DOHA development agenda agriculture negotiations recognize these disparities and secure an agreement which fully addresses them. The United States proposed and successfully propounded the concept of tariffication in the Uruguay Round agricultural negotiations. Eager to ensure its effective implementation, the United States then attempted to lead by example submitting a clean tariff offer. However, other countries didn't. This resulted in significant changes and disparities on tariffs among not only OECD members in developed counties but also developing countries.

Just to give you an example on dairy average tariffs, we have about 55 percent and for some this may be high but if you look at dairy trade and dairy tariffs around the world, most of the OECD average tariffs are well over 100 percent and, in some cases, 300 percent. This is not only in developed countries but also in developing nations.

This is why this information clearly demonstrates why the National Milk Producers and the U.S. Dairy Export Counsel supports the offer recently tabled by the United States in the DOHA agriculture negotiations calling for the harmonization of all tariffs to a maximum of 25 percent. They also demonstrate why conversely we would strongly oppose that we do not address these changes, these differences, because we believe that in all the economic analysis that Mr. Vitaliano can expand on demonstrate that it would be disastrous and it would be extremely damaging to the U.S. dairy industry that we maintain the differences that exist today on tariffs.

The analysis that we did of course employs a significant part of the negotiations, even though they're not necessarily in the market access is the export subsidies, the elimination of export subsidies. We strongly believe that the elimination of export subsidies has to be part of any market access negotiations. The fact that we eliminate export subsidies will raise prices around the world. These prices will get closer to U.S. prices. Therefore, by eliminating or reducing substantially tariffs also all over the world, it will increase demand and create new demand and this will also raise prices. Therefore, we believe that an agreement that secures this harmonization of over quota tariffs and elimination of export subsidies will allow a positive result for the U.S. dairy industry.

However, again, if we don't eliminate export subsidies and we go to a flat tariff reduction as a percentage, we can have a significant harm to the U.S. dairy industry. This is our main message. There are numerous aspects of our request that we have sent on previous *The Federal Registers* and we'll send further information on the November request that employs different concepts of our in quota, over quota access and total access.

Just to give you an example, the United States -- and we will include this in our testimony-- we provide significantly more access, 15 percent, 37 percent, eight percent on different products like cheese, powders, butter, more than any other country that provides access with respect to the Uruguay Round commitments which are where about five percent of domestic consumption of the 1986-88. If you look at different countries like Europe and Canada, they only provide that five percent or even less than that. We are way above that quantity. What we want is level playing field. We all should be about the same and we should all have reciprocal access. Thank you very much.

CHAIRMAN EISS: Thank you, Mr. Castaneda. Department of Agriculture.

MR. WHITLEY: Thank you. Thank you for your testimony, Mr. Castaneda. We have two questions for you and basically they center around sort of like the results of the Uruguay Round agreement. With respect to dairy exports, how have they fared from the Uruguay Round? Have they increased, decreased or sort of maintained where they were? The second part of the question has to do with the balance of trade with respect to dairy. How has that fared from Uruguay Round? Has it increased, decreased or sort of remained level?

MR. CASTANEDA: With respect to exports, we have certainly increased exports. Although a small amount compared to other countries, we have definitely raised the level of exports. Perhaps a key point to that -- and it's an excellent question -- is the fact that we believe we can grow significantly more if there would not be so many trade distorting mechanisms out in the world markets right now, specifically export subsidies.

I will let Peter Vitaliano talk about the balance of trade.

MR. VITALIANO: The broad brush on the export side, sort of the European Union prior to the Uruguay Round had about 50 percent of the world dairy market, most of it subsidies. It's been cut back now to about 35 percent or so. So the subsidy reduction disciplines definitely did affect the major subsidizer but the EU still has the lion's share of remaining subsidy permissions, so to speak, and that's why it's very important that those subsidies be further addressed.

The big export gainers were the low cost non-subsidizing exporters, particularly New Zealand and Australia. In terms of the balance of trade sort of antirational, the U.S. has allowed additional imports. Did gain some additional exports but for reasons having to do partly with policy and partly with marketing, the additional imports were sort of very market-sensitive products, particularly cheeses and other milk powder type components.

Our chief exports -- I'm trying to think how to say this exactly. We did gain some additional market access but to a great extent I'm convinced that a majority of our export gains in recent years, some of them had to do with the world prices coming up but a lot of them had to do with the fact that the U.S. is a major supplier of whey products and certain types of cheeses whose export growth might have occurred even without the Uruguay Round. Certainly whey products and lactose are not really subject to significant trade barriers. We did get some access to Japan and Korea.

So we benefitted somewhat but the way I look at it is that the Uruguay Round wasn't significant enough that it basically benefitted the very competitive exporters. The U.S. kind of sits somewhere in the middle and that tide didn't really rise up to our level. So that refers back to the disparities that we were left with from the round. It didn't really go far enough.

MR. WHITLEY: Thank you.

MR. COLEMAN: I have a couple of questions. The first follows from the last. If the U.S. tariff modalities that have been proposed are actually put into place, how do you see that affecting U.S. exports and the balance of dairy trade in future?

MR. CASTANEDA: Let me tell you from the perspective of modalities, what we have always seen is that, like Peter Vitaliano said, if you look at trade, Australia and New Zealand basically were the only ones who benefitted from the Uruguay Round, not Argentina, not everybody else. We haven't really created new significant new demand in world dairy markets. Basically, it was a transfer from European market shares to basically New Zealand.

The new modalities. You have to think about just what it would do to bring down tariff levels. The Canadian case or the European case. There are well over 100 percent, in some cases 300 percent. And in many other developing countries, too. I think it would expand, not only again the new markets but it would expand new demands. So I think it would actually make a significant difference. And then of course, U.S. exports will depend a lot on our competitors and domestic policy, too.

MR. VITALIANO: Just to restate that. We've gained some additional access in markets like Canada and maybe in Japan. We'd have to share that access in most countries with New Zealand and Australia. But as Mr. Castaneda indicated, there are limits. I've tried to quantify those recently. There are limits to the growth that New Zealand and Australia can achieve. Every limit tat's been proposed previously has been surpassed. I've made what I thought is a realistic estimate of that. My projection is that world demand for dairy will outstrip the ability of those countries to supply it. So the more access you can open in the highly tariff-protected markets, even though individually they're not very big like Canada, Japan. Japan is fairly open on its products but butter and powder are still pretty close. You would create enough new demand that it would not be able to be satisfied with those who are in a position to the immediate gainers. That would relieve pressure on imports from our side, might even open up some additional access in the European Union although we've been waiting for that to happen a long time. And so sort of diffusing the growth from the obvious gainers and making some additional access available to the U.S. dairy industry didn't really happen in the Uruguay Round. I mean genuine access from TRQ expansion and high tariff reduction. That would probably give us sort of a weakly positive result, as we've indicated, and we have a slightly expanded statement that we can hand out today.

MR. COLEMAN: When I look at Table 1 of your testimony, you can see for the U.S. there are some really pretty high tariffs there, 88 percent for butter and close to 50 percent for the milk powders. Under the Swiss formula 25, those tariffs will come down to 25 which is a long way for them to fall. But what I think you're saying is that in a completely free market, international prices will rise to somehow make U.S. product competitive or will be able to sustain those 25 percent over quota rates. That though is an empirical question. How much will world price rise? How much the Southern cone countries can respond. Do you have any empirical studies that you can help us with this empirical question?

The other follow-up on that is given that we have the support program and policies that have been introduced under the latest farm bill, doesn't that seriously impede the ability of the U.S. domestic dairy industry to compete in international markets?

MR. VITALIANO: You have several questions there. Let me go back to your observation on the higher tariffs that we have on butter and skim milk powder. If you look across that table by countries, you'll see that those tend to be the highest tariffs amongst a lot of countries so that the 25 percent tariff ceiling would affect a lot of people besides us but yes, it would expose the U.S. to additional import access. For technical reasons, I think the EU numbers there are probably understated. But you and I discussed this earlier about that's the way the numbers work out when you use trade data which can be sometimes strange.

In terms of your second question about -- can you repeat that second question.

MR. COLEMAN: First of all, do you have any empirical studies that you can point to to show how this all interacts?

MR. VITALIANO: The kinds of things that are really specific to dairy, we've not seen very many of them yet. Hopefully, the USDA ACRS will be able to come up with some of them. I've done some initial cuts myself. We've put some of the preliminary results in our statement for today, written statement. We need to refine those a lot more because, as you know, it gets very complex once you look at all these things. What's the effect of subsidy elimination on world dairy prices? What's the effect? It's easier to quantify the effect of a minimum access expansion than a tariff reduction. So we're in the process of gearing up to be able to do those for our own purposes.

MR. COLEMAN: But you basically think that once the liberalization has taken place, the U.S. will be able to be competitive in the world market.

MR. VITALIANO: Yes. Your final question had to deal particularly with the continued existence of the price support system. Would that affect our competitiveness? Obviously that's going to be affected by whatever might come out in the domestic support negotiations which is subject for another hearing, I gather. I have a feeling that that's not going to be the primary constraint. There may need to be some additional flexibility, but I think the bit problem that would affect the U.S. would be continued market access barriers and other higher cost countries like Canada just to the north. That's a natural market for us. We probably have less access to Canada than any other dairy market in the world, which continues to confound me, and also the continued elimination of subsidies I think would make a substantial difference in world price.

Most of the empirical studies, there's a good one from Tom Cox at the University of Wisconsin that show that the U.S. is basically the natural price level that world prices would come up to. There are lower cost producers but they don't have much volume. World prices could come up to our levels and we're so big that in a theoretically free market we would probably be able to serve all the residual demand from our production. I've not seen a scenario where the world prices in a free equilibrium situation are higher than ours. So there's a asymmetry where the best we can do is kind of get up to just world prices being equal to ours. We need a better empirical base.

MR. COLEMAN: Thank you.

MR. WIECKING: Thank you for coming to this hearing, both of you. We talked in general so far about dairy products, kind of globally dairy products except for some mentions of there would be an increase presumably in our exports for butter and milk powder, I think you said, to Japan. I'm wondering if you had any other thoughts or estimates on which products in particular would see increased exports if the U.S. tariff modality were in the end agreed to in the DOHA development agenda.

MR. CASTANEDA: That's a good question and it's something that we're currently working on. We're developing a specific paper that will actually address or target specific markets that our industry believes that we can actually make significant inroads. I think the message is clearly that we believe if everybody is about the same level on the conversation -- and I may want to add that our original request or proposal was to have a different coefficient than the United States. It was actually a higher coefficient of 50. But again, the main point is that we believe that if everybody is at the same level, I think we can make significant inroads with respect to whether domestic policy will make us more competitive or not. I think we have to see that whatever we agree on harmonization, it will take a while to reach that point and I think that there's definitely different discussion with respect to future safety nets. There is going to be a safety net for producers. That's without a doubt.

But to answer specifically your question, I think we're going to be very competitive on cheese products and products like whey and lactose that are byproducts and we are already competitive, and I think we can be competitive on certain powders of higher technology.

MR. WIECKING: Thank you very much.

CHAIRMAN EISS: Mr. Castaneda, thank you very much. If you would just check and make sure that our recorders have all the necessary information with regard to the spelling of your name, etcetera. Thank you very much.

Our next witness will be Ms. Sarah Thorn, Director, International Trade Grocery Manufacturers of America. Ms. Thorn, welcome.

MS. THORN: Thank you. Good afternoon, Mr. Chairman and members of the TPSC. As was stated, my name is Sarah Fogerty Thorn and I'm the Director of International Trade at the Grocery Manufacturers of America. It's a pleasure to be here today to offer our views on market access issues related to the WTO agriculture negotiations. Just by way of background, GMA is the world's largest association of food, beverage and consumer product companies. With U.S. sales of more than $460 billion, GMA member companies employ more than 2.5 million workers in all 50 states.

As time is limited this afternoon, I'd like to limit my remarks to three main areas. GMA's goals and objectives for the agriculture negotiations, our views on the USTR proposal, and our concern over the increasing prominence of so-called non-trade concerns in the negotiations, in particular in the market access section.

As we've noted in previous testimony, GMA is primarily concerned with increasing market access opportunities for the processed food and beverage sector as well for primary agricultural products that serve as ingredients for production globally. The processed food sector remains the fastest growing sector of agricultural exports and, in fact, if you look at the data, you'll find that since 1997 the consumer oriented agricultural sector is the only growing export sector, far outstripping both bulk and intermediary products. Yet there are significant barriers that limit future growth in this sector. These include tariff peaks, tariff escalation, overly restrictive tariff rate quotas, and the proliferation of non-tariff barriers to trade, especially in the area of discriminatory mandatory labeling policies.

Against this background, GMA is extremely supportive of the recent USTR market access proposal. We are particularly pleased with the proposed formula for tariff cuts which we believe is the best way to deal with the aggregation of tariffs that limited gains in our sector during the Uruguay Round. In addition, we also believe that there are a number of sectors, including pet foods, cocoa and cocoa containing products, soups and biscuits, that would benefit from additional zero for zero tariff elimination once formula cuts have been implemented.

We also support the comprehensive nature of the U.S. proposal since we are particularly interested in liberalization and key ingredients such as dairy and sugar. Given that this round is meant to focus on development, we feel that it's particularly appropriate to demonstrate willingness to open markets for commodities where developing countries have a significant comparative advantage.

As supportive as we are of the USTR proposal, we are equally concerned about EU demands for inclusion of so-called non-trade concerns in the agriculture negotiations. We believe this is a blatant attempt to expand the DOHA mandate and could seriously undermine liberalization in the core pillars of the negotiations. Let me briefly address our objection to the inclusion of these issues.

Over the last several years, we have deflected EU attempts to include the precautionary principle -- I have it in quotes -- "in the Kodak-Slimentarius Commission and other international fora." This new attempt should again be rejected as it was soundly in DOHA. The EU clearly wishes to undermine the science-based disciplines of the SPS agreement and to allow for regulations based on facts other than science.

In addition, the precautionary principle would shift the burden of proof so that countries wishing to export products would be forced to prove that products are safe, not that regulations are justified due to their scientific basis.

GMA is equally opposed to new negotiations on geographical indications. We believe negotiations in this area could weaken trade market protections and put many famous brands at risk. Additionally, export opportunities in cheeses and meats could be diminished since we would be prohibited from using commonly understood names such as parmesan, feta, Polish kielbasa and the like. Although we commend U.S. government actions to date to oppose any negotiations in this area, we caution that the EU continues to link progress NGIs with progress in the agriculture negotiations.

We encourage U.S. agricultural negotiators to continue to reject this linkage since the issue of geographical indications is clearly an intellectual property debate.

On labeling, we understand that the EU would like to create new guidelines to make explicitly legal mandatory non-product related production labeling schemes. As we mentioned earlier, these types of schemes are often discriminatory and more trade restrictive than necessary. We believe that instead of new guidelines what's truly needed is a more understanding adherence to the existing disciplines in the WTO agreement on technical barriers to trade. To this end, we are encouraged that the TBT Committee will continue to discuss labeling issues. We would recommend that the U.S. government make maximum use of this forum to offset EU demands for new rules.

Thank you for the opportunity to testify today. We're very optimistic about the chances for meaningful reform in the processed food sector which will lead to increased choice and more affordable food for consumers globally. We commend USTR on their strong leadership in agricultural negotiations and look forward to continued collaboration as the talks proceed.

CHAIRMAN EISS: Thank you, Ms. Thorn.

Mr. Hafemeister.

MR. HAFEMEISTER: Ma'am, you in your testimony you identified your interest in more ambitious tariff negotiations including the prospect of going to zero for certain products. Has your organization been in touch with other organizations and can you give us some sense of their interest in pursuing these initiatives.

MS. THORN: We work globally through something called the International Council of Grocery Manufacturers Associations which is a loose coalition of GMA-like organizations globally and this is a proposal that we floated to other associations, particularly actually with the Europeans CIAA which represents Europeans. I think while there's general interest, we have not done the basic legwork to make this an absolute priority yet because, quite frankly, we're more interested in the broader formula cut and getting a good formula first and we see that the sector by sector initiatives are something that compliment the formula cuts and so we've sort of reserved our efforts to seeing how we come out in the formula, how we do within the market access, and then we'll work. But certain subsectors of GMA, I know the Pet Food Institute and pet food are very particularly interested in this and cocoa and cocoa containing products. But as GMA, we have not made the big effort to link that. But we recognize that it has to be a public/private sector cooperation.

MR. WIECKING: Good afternoon. You know that part of the DOHA development agenda or an inherent part of that is expected to be special and differential treatment for developing countries. You made, I think, a glancing reference to that in your testimony just now. But I wondered if you could expand. Does your organization feel that developing countries should get S&D treatment in the form of perhaps lesser tariff cuts or special safeguards as came out of the Uruguay Round? Have you given any thought to this?

MS. THORN: In a perfect world, there would be no special and differential treatment because essentially what you're saying is that these countries doesn't get to benefit from liberalization until later so they're essentially denying themselves the benefit of agricultural liberalization. I don't think there's any way we can get around having some sort of phase in as we did because you've already set a precedent in the Uruguay Round in terms of staging.

What we wouldn't like to see in terms of special and differential treatment is sectors taken off the table. We think that is absolutely not part of a comprehensive negotiation and can undermine the gains. What we'd like to see instead of necessarily special and differential treatment is an increased focus on trade-related capacity building so that developing countries have the opportunity to take advantage of the gains that can be afforded through agricultural trade liberalization because it's actually developing counties and actually in the value added area that you can actually see the real return to developing countries.

MR. WIECKING: Thank you.

MR. WHITLEY: Good afternoon and thank you for your testimony today. I'm not sure you mentioned it here today but I read through your testimony beforehand and took note of your mentioning about some complex and difficult tariff schemes that your industry faces around the world. Could you elaborate on those and could you talk a little bit about these schemes being converted to either a specific only or ad valorem tariff and is that what your industry is in favor of?

MS. THORN: Yes. We had mentioned in our testimony the fact that a lot of our products face very complex tariff formulas in terms of the fact that say a cocoa product or a chocolate product, you go to export to Europe and you've got a specific tariff on the particular ingredients and then -- you know this-- and then a more complex ad valorem formula on top of that. So it's very hard actually, even with a brand of product, to even calculate what you're paying in ad valorem terms because if you think of it in a branded product, you have a higher price so you're actually paying a greater weighted average.

So what we'd like to see is a little bit more clarity in terms of converting to ad valorem specifically. I think it would be much easier for companies to also recognize the value of the tariff cuts to have a more simplified ad valorem system.

MR. WHITLEY: Has your organization undergone any of these exercises in trying to sort through the so-called maze and come up with simpler schemes.

MS. THORN: We haven't per se. Particular sectors again. I know that this is particular interest to sort of the chocolate manufacturers and they have proposed a sort of much more simplified process.

MR. WHITLEY: Thank you very much.

MR. LINSCOTT: Thank you, Ms, Thorn, for your testimony. Paragraph 32, subparagraph 3 of the DOHA declaration directs the WTO Committee on Trade and Environment to discuss eco labeling including whether there's any need for clarification on WTO rules on eco labeling or labeling for environmental purposes. Does the GMA believe that existing WTO disciplines in the TBT and SBS agreements are sufficient to address its concerns related to labeling based on PPMs, processing production methods?

MS. THORN: In fact, yes, we do believe that the TBT disciplines are accurate but what we disagree with is whether people are adhering to those disciplines and what we've been noticing globally is a proliferation of mandatory process based labeling that doesn't really look at the core principles of the TBT agreement. What's the objective of the labeling regime? Is this particular regime more trade restrictive or trade discriminary than necessary? And then is there an alternative need to provide consumer information in a less restrictive way? In the case of eco labeling and eco schemes, a lot of these other sort of mandatory based consumer information labeling schemes, we feel that a voluntary system obviously that would be truthful and not misleading, some sort of criterion, would be far more effective.

But yes, we believe that if the TBT rules don't cover labeling, I'm not sure where they are covered. But that's one of the reasons. You know, we have some concerns with the fact that you're having discussions on labeling in a committee where you don't necessarily have strong rules and we favor a more robust dialogue in the TBT Committee because a lot of these issues are educational issues and we've seen in the last couple of years countries having a more comprehensive understanding of the TBT rules as they apply to labeling.

MR. LINSCOTT: Thank you.

MS. VALDES: Good afternoon. I have a couple of questions. In your written testimony, you mention that every one billion of export of processed food products support 16,700 jobs compared with 12,700 jobs in export commodities. Can you tell us or provide data later on what's the current employment situation in the U.S. processed food industry and if there have been any changes in the last 10 years?

MS. THORN: Honestly, I don't have that data off hand. I think in my oral testimony I talked about the fact that we represent roughly 2.5 million workers, but I don't have the graph to demonstrate where we're expanding or contracting unfortunately.

MS. VALDES: Okay.

MS. THORN: I can try to find it but I'd probably be going back to ERS for that.

MS. VALDES: What job activities are involved in your industry?

MS. THORN: Pardon?

MS. VALDES: What job activities are involved in your industry? Driver, salesperson, warehouse people.

MS. THORN: We represent the manufacturers of food products so we would employ not only the R&D but also the factory workers on the lines producing food products. Some of our companies are more vertically integrated than others. In fact, we contract farmers all the way up through the distribution chain but it depends on the particular company.

MS. VALDES: Are you finding qualified workers in the U.S. to meet current employment needs?

MS. THORN: Yes. Again, I'm sorry. That's an assumption. I don't have any data to back that up.

MS. VALDES: My final question is where

primarily are producers processing plants in the U.S.?

MS. THORN: Depends on the sector you're looking at. But in general, you see a lot of processing of what you consider traditional grocery products in the Chicago, Illinois area, some in California, New York State, but it really depends because if you're talking about meat processing, it's in the midwest. On labor issues, I quite frankly should mention that fact that the sugar program is detrimental to labor employment in the United States because the prices are so high. You're seeing job flight to be able to serve this market as a residual market through exports. So if you want to look at labor and employment issues, look at sugar.

MS. VALDES: Thank you so much.

MS. THORN: I had to get it in.

CHAIRMAN EISS: Okay. I might ask. I think there would be some interest and if you could perhaps either consider elaborating on additional data with respect to the questions about the trends in employment in your industry to the extent from your membership you can glean some additional information about the job differentiation, we would certainly welcome that. There certainly is opportunity to provide additional information for the record.

And with that, I would like to thank you for your time and for your statements and for your responsiveness to the questions and I declare the hearing adjourned.

(The hearing was adjourned at 2:40 p.m.)